

**Testimony of Ron Bradley, Vice President of Gas Operations, PECO
On Behalf of the American Gas Association
Subcommittee on Railroads, Pipelines, and Hazardous Materials
Committee on Transportation and Infrastructure
U. S. House of Representatives
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Good morning, Chairman Denham and members of the Committee. My name is Ron Bradley, and I serve as Vice President of Gas Operations at PECO, which provides natural gas distribution service to 500,000 natural gas customers in southeastern Pennsylvania. I appreciate the opportunity to testify today to discuss the natural gas distribution industry, with a particular focus on the high priority that the industry places on safety.

At PECO, we have six core values: Safety, Integrity, Diversity, Respect, Accountability and Continuous Improvement. Safety is first and foremost among these. My commitment, and the commitment of our leadership at PECO and our parent company, Exelon, is that everyone goes home safe. This includes not only our employees, but also our customers, our contractors and everyone in the communities we serve.

PECO's safety performance is ranked as one of the best in the nation, and we're proud to have been recognized by national and state organizations for this.

Today, I am testifying on behalf of the American Gas Association (AGA) which represents more than 200 local distribution companies, also known as LDCs, which serve more than 71 million customers.

Industry Overview

AGA's member companies operate 2.4 million miles of underground pipelines, safely delivering clean, affordable natural gas to residential, commercial and industrial consumers. New technologies are tapping into new domestic energy reserves, and natural gas is increasingly becoming the fuel of choice for American consumers.

LDCs provide the last critical link in the energy delivery chain, connecting interstate pipelines directly to homes and businesses. Our focus every day is ensuring that we keep the gas flowing safely.

As part of an agreement with the federal government, most states assume primary responsibility for safety regulation of LDCs, as well as intrastate transmission pipelines. State governments are encouraged to adopt minimum standards promulgated by the U.S. Department of Transportation.

Many states also choose to adopt standards that are more stringent than federal requirements. Additionally, our companies are in close contact with state pipeline safety inspectors, working in a collaborative manner that provides for far more inspections than required under federal law.

LDCs do not operate strictly in a compliance culture, but rather in a culture of proactive, collaborative engagement. Each company employs trained safety professionals, provides on-going employee evaluations and safety training, conducts rigorous system inspection, testing, maintenance, repair and replacement programs and educates the public on natural gas safety.

AGA's "Commitment to Enhancing Safety," adopted in 2011, provides a summary statement of these commitments. The Association has also developed numerous pipeline safety initiatives focused on raising the bar on safety, including Peer-to-Peer reviews and Best Practice forums that share best practices and lessons learned throughout the industry.

Each year, LDCs spend approximately \$19 million on safety – approximately half of that on our voluntary activities.

Review of Legislation and Regulation

The Pipeline Inspection, Protection, Enforcement and Safety Act of 2006 and the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 both outlined several programs that helped continue to improve the safety of the industry. AGA member companies have implemented aspects of these programs either through DOT regulations or voluntarily.

Many of these programs are in their infancy in terms of implementation, and we encourage Congress to allow these programs to develop and mature. Good progress is being made toward implementation of the 2011 law, and AGA member companies ask you stay the course.

Layering new laws and regulations onto companies before existing regulations have been finalized and given a reasonable amount of time to work is likely to create uncertainty that undermines our shared safety goals. Work completed to date by PHMSA, the industry, NARUC and state regulators, and state legislatures has combined to produce significant improvement over the last several years. We should build on that record.

In terms of specific issues:

- The "Call Before You Dig" Damage Prevention program, or "811," has been a great success, helping to reduce safety-related incidents by approximately 40 percent since its launch. Combined with more robust state efforts based on the 2006 PIPES Act, this is having an incredibly positive impact.
- The PIPES Act also required the establishment of Distribution Integrity Management Programs. Rules were finalized in February 2010, and the industry commends the DOT on the effective manner in which the DIMP rules advanced safety while taking into consideration wide differences among gas operators.
- The industry applauds DOT's work with public and emergency responders and is eager to work to develop metrics to assess the effectiveness of these programs.
- The industry is experiencing significant uncertainty regarding PHMSA's implementation of Maximum Allowable Operating Pressure and the Integrity Verification Programs. We are prepared to act, but regulatory certainty provided by implementation of regulations would be beneficial to the industry and customers alike.

Finally, with regard to replacement of cast iron mains, the quantity of these mains continues to steadily decline, now making up less than three percent of total mileage. There is 33,619 miles of cast iron main still in use, and the industry estimates that it will cost nearly \$83 billion to complete this replacement. Gas utilities are working with our legislators and regulators to accelerate this process, and the 38 states that have adopted innovative rate mechanisms are providing an important tool to support this.

At PECO, we spend \$20 million annually on our Accelerated Gas Infrastructure Maintenance Program and \$34 million on pipeline replacement overall.

In addition to what I have highlighted today, my written testimony provides updates on the industry's efforts with regard to incident notification, data collection and information sharing, and research and development. I'm pleased to answer questions on these topics or any other topics that you may have.

Thank you for the opportunity to testify today.